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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 001493

SIPDIS

STATE FOR EAP/CM, EEB/IFD/OMA AND EEB/ESC, TREASURY FOR
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TAGS: EFIN ECON KCRM MC

SUBJECT: MACAU PROMISES COOPERATION ON ANTI-MONEY
LAUNDERING AND TAX INFO

REF: A. HONG KONG 651
1B. HONG KONG 944

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Classified By: Acting Consul General Christopher Marut, Reason 1.4 b/d

¶1. (C) Summary: Macau Monetary Authority Chairman Anselmo Teng promised continued cooperation on anti-money laundering (AML) and countering the financing of terrorism (CFT) initiatives. Macau will pass legislation to allow the Special Administrative Region to share tax information in accordance with the most recent OECD standards before the current session of the Legislative Assembly concludes in September. Macau's Financial Intelligence Unit (FIU) has been extended for another three year term and the FIU Director's contract has also been extended for an additional year. Teng lamented that Banco Delta Asia (BDA) still "doesn't get it," and continues to be a source of concern for him and his staff. End Summary.

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Macau Committed to AML/CFT Cooperation
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¶2. (C) Macau Monetary Authority (known by its Portuguese acronym: AMCM) Chairman Anselmo Teng reaffirmed Macau's commitment to preventing Macau's financial system from falling victim to abuse by states or individuals engaged in activities in support of proliferation of weapons of mass destruction. Teng noted that AMCM had cooperated fully with the U.S. investigation into North Korean use of BDA to launder illicit funds and promised that his office would pursue any information provided in this regard. AMCM continues to closely monitor Macau banks, though all are wary of any transactions that they suspect may have ties to North Korea. BDA, however, remains a concern, said Teng (Reftel A). Despite their inability to conduct international currency business, the bank has not made any serious attempts to improve AML/CFT compliance. BDA Chairman Stanley Ao has chosen to pursue legal action against both the Macau and Hong Kong Monetary Authorities instead. Teng added that BDA is still subject to rigorous oversight and has consumed a significant percentage of his staff resources over the past several years, with no end in sight.

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Adopting OECD 2005 EoI Provisions
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¶3. (C) Teng confirmed that Macau will adopt OECD 2005 standards for Exchange of Tax Information. The required legislation has already been approved by the Executive Council and he expected it to be passed by the Legislative Assembly before the end of the current session in September.

This legislation has been "fast tracked," said Teng. The GOM is eager to show Macau is not a tax haven. Although Macau does allow offshore bank accounts, they are strictly controlled and Macau follows Financial Action Task Force recommended guidelines for offshore accounts, he said. Corporations must have a physical address (that cannot be shared with another company) and have locally employed staff in Macau.

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Macau FIU Extended for Another Three Year Term
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¶4. (C) Macau joined the Egmont Group, an informal collection of FIUs created to facilitate information sharing, in May 2009 (Reftel B). Owing to the difficulty of passing legislation to create a new statutory body, Macau's own FIU was originally created as an ad hoc group with a three year term. Macau Chief Executive Edmund Ho announced in July that term would be extended for an additional three years, through August 2012. Macau is committed to creating and maintaining an effective FIU, said Teng, pointing to the dramatic increase in personnel and resources devoted to the FIU since its creation. The government plans to make the FIU permanent, but the complex legal process for creating a new government body makes extension for another three year term the simpler option. The FIU's institutionalization will have to wait until the new Macau Chief Executive is in place (in December 2009) with a new Legislative Assembly.

¶5. (C) The AMCM is currently beginning to consider updates to Macau's banking legislation. The current law was last updated in 1993, said Teng. He will travel to Lisbon to consult with Portuguese banking experts and the drafters of Macau's 1993 law before the Annual Meeting of the World Bank

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and IMF this October in Istanbul. Macau is just beginning the process and will be unlikely to have a legislative proposal ready before 2011, he said.

MARUT